

**CHARTER SCHOOL FACILITIES PROGRAM
STAFF SUMMARY REPORT – MAY 2013
PROPOSITION 55 PROJECT**

Applicant/Obligor:	Camino Nuevo Charter Academy #2
Project School:	Camino Nuevo Charter Academy #2
CDS (County – District – School) Code:	19-64733-0122861
[Proposed] Project Location:	3400 W. Third St.
Type of Project:	New Construction
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Total OPSC Project Cost:	\$34,127,192
State Apportionment (50% Project Cost):	\$17,063,596
Lump Sum Contribution:	\$4,570,000
Total CSFP Financed Amount:	\$12,493,596
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	2.00%
Estimated Annual CSFP Payment:	\$557,838
First Year of Occupancy of New Project:	2014-15

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Camino Nuevo Charter Academy #2 (Harvard) is financially sound for the purpose of the Charter School Facilities Program (CSFP or the Program) Final Apportionment. This determination as it relates to a Final Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. **This determination is also contingent upon Camino Nuevo, the parent organization, lowering its projected 2015-16 oversight fee for Harvard by approximately \$41,000 in order for the school to meet one times debt service coverage for the same year.** Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.

Background: In 2004 Camino Nuevo Charter Academy (CNCA) requested funding for a new elementary school (K-8) that would accommodate 450 students. Originally, the site for the new facility, which was originally referred to as the La Fayette Park Place campus, was expected to be completed in time for the 2006-07 school year. At its December 22, 2004 Board meeting, the Board approved a preliminary apportionment of \$13,924,124 for Harvard's Prop 55 project. Furthermore, at its April 13, 2011 board meeting, the Board approved an Advance Apportionment in the amounts of \$4,735,932 and \$554,518 for site and design, respectively, and a total project cost of \$10,964,168. After securing a site at the 3400 W. Third Street location and finalizing the development of the full scope of the project, the Office of Public School Construction revised-up the total project costs from \$10,964,168 to \$34,127,192.

Item #4 - Camino Nuevo Charter Academy #2 (Harvard)

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting our financial soundness review of Harvard. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	Harvard has met all eligibility criteria for the Program including: 1) having a charter in place, 2) meeting the requirement for at least two years of instructional operations and 3) being in compliance with the terms of its charter and in good standing with its chartering authority.
Demographic Information	Harvard currently serves 508 students and projects a maximum enrollment of 696 students by 2016-17.
Debt Service Coverage	Debt service coverage ratios for Harvard in 2015-16 and 2016-17 are projected to be 100.1% and 107.6%, respectively.
Other Financial Factors	CSFP payments are projected to represent 10.8% and 9.8% of total revenues in 2015-16 and 2016-17, respectively, which are within the recommended maximum 10-15% threshold levels.
Student Performance	While Harvard has not met AYP criteria since it opened, it did meet its API school growth target in 2011-12 and achieved an API score of 856.

Program Eligibility: On March 8, 2013, at CSFA staff's request, verification was received from the Superintendent's Office of LAUSD, confirming that Harvard is (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority. Harvard's charter is valid through June 30, 2015.

Legal Status Questionnaire: Staff and legal counsel reviewed Harvard's responses to the questions contained in the Legal Status Questionnaire (LSQ). Harvard answered "See Attached" to all LSQ questions; STO legal counsel reviewed the attached documents and found no negative legal or material implications in the documents.

Project Description: Camino Nuevo Charter Academy (CNCA) seeks to build a permanent facility for its Harvard K-8 School at the 2.2 acres located at 3400 West 3rd Street in the City of Los Angeles. Harvard is presently in temporary leased facilities at 635 S. Harvard Blvd in the City of Los Angeles. Harvard desires to complete the project so that it can occupy the premises beginning with the 2014-15 school year. The project will include 31 classrooms of 46,846 square feet, inclusive of a dance room, art room, a computer laboratory and science laboratories. The plans also include administrative space and offices, a nurse's station, a teachers' lounge, a multipurpose room, and outdoor play space of approximately 30,000 square feet for all grade levels and a parking lot with 59 spaces.

Item #4 - Camino Nuevo Charter Academy #2 (Harvard)

Organizational Information: Camino Nuevo Charter Academy (CNCA), the parent organization for Harvard, is a 501(c)(3) non-profit, public-benefit corporation.

CNCA was founded in August 2000 by Pueblo Nuevo Development, a non-profit community development corporation in the MacArthur Park neighborhood west of downtown Los Angeles. CNCA first opened a K-5 campus in 2000 and then opened a middle school campus in 2001. Currently, CNCA operates five schools in a focused geographical region just west of downtown Los Angeles, the MacArthur Park and Mid-Wilshire Korea town neighborhoods. The student population is drawn from the poorest quartile of minority residents in Los Angeles in the most densely populated communities. The census tract for the area reveals that this is one of the most overcrowded neighborhoods for high school students in the City of Los Angeles, and 96% of the households are renters.

Approximately 97% of the overall CNCA student body is eligible for Free/Reduced Price Lunch. At Harvard, 94% of students are eligible for Free/Reduced Lunch. The students and their families are challenged by limited English proficiency, with the percentage of English Learners averaging 66% in grades K-8. An estimated 92% of students live at or below the poverty rate for all of CNCA.

CNCA embraces the challenge of demonstrating that public education in a low-income, immigrant, multilingual area can succeed. The mission of the school is to educate students in a college preparatory program to be literate, critical thinkers and independent problem solvers. To accomplish this mission, CNCA incorporates a comprehensive educational program that includes rigorous academics aligned with the California State Standards, incorporation of the arts, emphasis on environmental education, after school enrichment programs, and extensive parent and community outreach.

Management Experience: The resumes of the school's personnel and the management team demonstrates professional, experienced and qualified individuals serving in key capacities within the organization.

Ana Ponce (7/1/2002 – Present)

Ana Ponce is the Chief Executive Officer of Camino Nuevo Charter Academy (CNCA). Born in Mexico, Ana is committed to providing high quality educational options for immigrant families in the neighborhood where she grew up. An alumnus of Teach for America, she spent 3 years in the classroom before becoming one of the founding teachers and administrators at The Accelerated School, the first independent charter school in South Los Angeles. Under her instructional leadership, The Accelerated School was named elementary school of the year by Time Magazine in 2001. Ms. Ponce earned her undergraduate degree from Middlebury College and a master's degree in Bilingual -Bicultural Education from Teachers College, Columbia University. She earned her administrative Tier 1 credential and second master's degree from UCLA through the Principal's Leadership Institute (PLI) and earned a Doctorate in Education from Loyola Marymount University in 2012. A veteran of the charter schools movement in California, she serves on the Board of the California Charter Schools Association.

Raymond Hernandez (10/10/2012 – Present)

Raymond Hernandez is the Vice President of Facilities and Operations. Raymond Hernandez has more than 30 years of experience in the field of early childhood education. He has held key positions in several non-profit organizations throughout California operating such programs as Head Start, Early Head Start, General Child Care, Migrant Child Care and State Preschool.

Item #4 - Camino Nuevo Charter Academy #2 (Harvard)

Throughout his career, he has focused on developing management systems that help effectively manage and operate programs and ensure that measurable outcomes are attained while keeping the focus on providing quality services to children and families. Active in numerous programs designed to promote quality levels of childcare throughout the state and country, Mr. Hernandez has served as president and secretary of the California Head Start Association, Secretary of the Region IX Head Start Association and as an advisory committee member for the Head Start-State Collaboration. Additionally, he has maintained membership in such local organizations as the County of Los Angeles Child Care Planning Committee, the Los Angeles Junior Chamber of Commerce, and the National Association for the Education of Young Children (NAEYC). As a native of Southern California, Mr. Hernandez completed his undergraduate work at California State Polytechnic University, San Luis Obispo and his masters of science in Education Administration at the University of Southern California. In addition, Mr. Hernandez was awarded a prestigious Riordon Volunteer Leadership Development Fellowship in 1997 and a 1999 position in the Johnson & Johnson Management Fellows Program at the John E. Anderson Graduate School of Management at UCLA.

Margaret Domingo (5/21/2004 – Present)

Margaret Domingo is the Vice President of Human Resources and Compliance. Ms. Domingo is responsible for the Human Resources and Compliance management at all CNCA sites and works closely with the school's leadership and employees to ensure that policies and procedures are met. Ms. Domingo is passionate about ensuring that inner-city youth are provided with a high quality education and has previously worked as a peer counselor and mentor for high school and middle school students in the Los Angeles and Crenshaw districts. She was also active in grassroots organizations, including the Service Employees International Union where she campaigned for the rights of Latino and Korean immigrant workers. Prior to joining the CNCA team Ms. Domingo worked in the Human Resources and Accounting Department of Warner Bros Entertainment. She graduated with a B.A. in Political Science and minor in Chicano Studies from the University of California, Los Angeles. She earned her certificate in Human Resources from Loyola Marymount University and also has a Professional Human Resources certification.

Atyani Howard (8/1/2002 – Present)

Atyani Howard is the Chief Academic Officer. Ms. Howard has been a teacher and administrator at Camino Nuevo Charter Academy since 2002 and served as Principal of the Burlington campus from 2006-2011. During her tenure as Principal, the Burlington campus experienced growth of over 120 points on the Academic Performance Index and received a number of awards, including the Title 1 Academic Achievement Award (2012 -2011), the California Association of Bilingual Education Seal of Excellence, the California Distinguished Schools Award, and the California Business for Education Excellence Award. In her role as Principal, Atyani combined her passions for urban education and teacher professional development to ensure that all students were prepared to engage a college preparatory curriculum upon culmination. As Chief Academic Officer, her primary focus is to develop an impactful professional learning community for CNCA's school leaders to ensure they each become outstanding instructional leaders. Her ultimate goal is for all Camino Nuevo schools to provide excellent instruction in every classroom, every day in order to achieve our mission for every student. Atyani began her teaching career in the Chicago Public School System in 1997. She has taught fourth through eighth grades and college courses as an adjunct faculty member at Roosevelt University and Harold Washington College in Chicago and earned a B.A. with honors in Multicultural Studies and English and an M.A. with honors from Northwestern University.

Board Experience: Harvard shares the CNCA fourteen-member Board of Directors which brings with it a strong educational background and an understanding of community needs. Mark Dalzell, a portfolio manager, is the active Chairman of the Board. CNHS' board includes President, Phillip Lance who also serves as Executive Director of Pueblo Nuevo Development; Secretary Shiho Ito, who is a community activist; and Elliot Ponchick, president of the William C. Bennerman Foundation, is the CNCA board treasurer. Other board members include Samar Bloomingdale, Georgia Eisner, Alicia Maldonado, L. Michael Russell, William E.B. Siart (founder and chairman of ExED), Patti Phillips, Cindy Lee Smet, Patricia Artigas, Beth Michelson, and Robert Kaplan. These board members bring a wide variety of experience and knowledge to Camino Nuevo Charter Academy. Their professions include the areas of entertainment, education, investment, public affairs, and non-profit organizations.

Management Experience for Schools Open Less than Two Years: Harvard commenced operations in 2010-11 when the former CNCA K-8 school divided into two schools: Harvard and the CNCA Burlington K-8 campus. Harvard meets the necessary requirement of having at least two years of instructional operational history.

Enrollment: Harvard currently enrolls 508 students in grades K-8 and recorded enrollment of 465 for 2010-11. The former CNCA K-8 school divided into two separate schools in 2010-11. CNCA K-8 school recorded enrollment of 930, 925, and 984 in 2007-08, 2008-09, and 2009-10, respectively. Harvard maintains a waitlist of approximately 280 students. Harvard is dependent on enrollment growth in order to support the projected CSFP payment.

Student Performance: Because of its implications for student enrollment stability and growth, staff views student performance as a leading indicator of a charter school's financial position. Schools with improving student performance trends are viewed favorably, especially if these trends exceed threshold goals set by the school or the California Department of Education (CDE). In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) trend data generated by CDE. The API is also used as an indicator for measuring AYP per the No Child Left Behind Act of 2001. Any school not meeting AYP targets would face additional mandates and corrective actions if the school is a recipient of federal Title 1 funds.

Harvard is in its third year of operations and only has one full year of student performance data available. While the school has not met any of the AYP criteria since it opened in 2010, it did meet its API school growth target in 2011-12.

Camino Nuevo Charter Academy #2 - Harvard	FY 2010-11	FY 2011-12
ADEQUATE YEARLY PROGRESS (AYP)		
Met All AYP Criteria?	No	No
Criteria Met / Required Criteria	15 / 20	14 / 21
Met API Indicator for AYP?	Yes	Yes
Met Graduation Rate?		
ACADEMIC PERFORMANCE INDEX (API)		
Met Schoolwide Growth Target?	N/A	Yes
Met Comparable Improvement Growth Target?	N/A	No
Met Both Schoolwide & CI Growth Targets?	N/A	No
API Base Statewide Rank (10 = best)	N/A	8
API Base Similar Schools Rank (10 = best)	N/A	10
School's Actual Growth	N/A	-12
Similar Schools Median of Actual Growth	N/A	-2
Did School's Growth Exceed Median?	N/A	No

Staff notes that the percent-proficient threshold requirement for AYP, both for English-language arts and mathematics, in accordance with the Elementary and Secondary Education Act (ESEA), reflects increases each year and will continue to reflect increases until 2014. Therefore, with each successive year, charter schools are increasingly challenged in “making AYP” (meeting all AYP criteria). This requirement applies to both school wide performance and performance of each numerically significant subgroup within any school. As an example, since 2002, the percent-proficient requirements for English-language arts (elementary schools, middle schools, and elementary school districts) are as follows: 13.6% for each of 2001-02, 2002-03, and 2003-04; 24.4% for each of 2004-05, 2005-06, and 2006-07; 35.2% for 2007-08; 46.0% for 2008-09; 56.8% for 2009-10; 67.6% for 2010-11; 78.4% for 2011-12; and 89.2% for 2012-13. This specific requirement will increase to 100.0% for 2013-14. The English-language arts percent-proficient requirement for high schools shows a similar trend, as do the percent-proficient requirements for mathematics for both elementary schools and high schools. Given that each numerically significant subgroup within a school must meet the percent-proficient requirement in English-language arts and mathematics in order for the school to make AYP, and given the high prevalence of English-language learners in California, charter schools have been faced with increasing difficulty in making AYP.¹ While Harvard has not met AYP criteria since it opened in 2010, it did meet its API school growth target in 2011-12 and achieved an API score of 856.

Financial Analysis: Highlighted in this section are financial data and credit indicators used to evaluate the applicant’s ability to meet its CSFP obligations. The following table excerpted from the financial model created for each applicant summarizes key aspects of the school’s past and projected financial performance.

¹ Information regarding AYP requirements is derived from the California Department of Education’s “2010 Adequate Yearly Progress Report Information Guide”.

Item #4 - Camino Nuevo Charter Academy #2 (Harvard)

Camino Nuevo Charter Academy	Actual FY 2010-11	Actual FY 2011-12	2nd Interim FY 2012-13	Projected FY 2013-14	Projected FY 2014-15	Projected FY 2015-16	Projected FY 2016-17
ENROLLMENT PROJECTIONS							
Enrollment	465	518	508	508	589	642	696
Average Daily Attendance	442	504	483	483	560	610	661
Average Daily Attendance (%)	95%	97%	95%	95%	95%	95%	95%
FINANCIAL PROJECTIONS							
Total Revenues Available for CSFP Lease Payment	\$ 4,537,236	\$ 7,800,467	\$ 4,584,812	\$ 8,074,003	\$ 4,660,827	\$ 5,157,815	\$ 5,667,044
Total Expenses Paid Before CSFP Lease Payment	4,348,378	4,568,974	4,640,508	4,322,974	4,247,741	4,646,421	5,114,052
Accounting Adjustments	47,704	44,038	47,062	47,062	47,062	47,062	47,062
Net Revenues Available for CSFP Lease Payment	\$ 236,562	\$ 3,275,531	\$ (8,634)	\$ 3,798,091	\$ 460,148	\$ 558,456	\$ 600,054
CSFP Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 557,838	\$ 557,838
Net Revenues After CSFP Lease Payment	\$ 236,562	\$ 3,275,531	\$ (8,634)	\$ 3,798,091	\$ 460,148	\$ 618	\$ 42,216
FINANCIAL INDICATORS							
Net Revenues Available for CSFP Lease Payment	\$ 236,562	\$ 3,275,531	\$ (8,634)	\$ 3,798,091	\$ 460,148	\$ 558,456	\$ 600,054
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	100.1%	107.6%
Contributions	\$ 27,953	\$ 3,138,529	\$ 85,000	\$ 3,600,000	\$ -	\$ -	\$ -
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	100.1%	107.6%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	10.8%	9.8%
Contributions / Revenues	0.6%	40.2%	1.9%	44.6%	N/A	N/A	N/A
Net Revenues After CSFP Lease Payment / Revenues	5.2%	42.0%	-0.2%	47.0%	9.9%	0.0%	0.7%
Revenues / ADA	\$ 10,270	\$ 15,491	\$ 9,492	\$ 16,716	\$ 8,323	\$ 8,455	\$ 8,573
Expenses / ADA	\$ 9,842	\$ 9,074	\$ 9,608	\$ 8,950	\$ 7,585	\$ 8,532	\$ 8,581
Surplus (Deficit) / ADA	\$ 427	\$ 6,417	\$ (115)	\$ 7,766	\$ 738	\$ (76)	\$ (7)
Net Working Capital	\$ 2,970,888	\$ 2,589,070					
Net Working Capital / Expenses	68.3%	56.7%					

Staff's financial review of Harvard is based on two years of audited financial statements (2010-11 and 2011-12) for Harvard, Harvard's second interim budget for 2012-13—which takes into account the approval of Proposition 30 in the November 2012 election cycle—and financial projections from 2013-14 through 2016-2017 as provided by Harvard. The school expects to occupy the project in 2014-15, by which time enrollment is projected to increase to 696 students in grades K-8.

Financial Performance: Staff's analysis of financial performance includes expenses for capital outlay and loan repayment; therefore, our results may differ from audited figures. As of June 30, 2012, Harvard did not have any long-term obligations.

In 2010-11, Harvard produced revenue of \$4.54 million and incurred expenses of \$4.30 million recording net revenue of \$236,562. In 2011-12, Harvard experienced net revenue of \$137,002 prior to contributions based on revenue of \$4.66 million and \$4.52 in expenses. Through capital contribution campaigns, CNCA raised \$3.14 million in contributions and grants in 2011-12, giving CNCA net revenue of \$3.28 million. CNCA's projections include an additional capital contribution campaign in 2013-14 which is anticipated to raise \$3.60 million for capital projects.

Harvard's financial projections assume an ADA rate of 95%, which is consistent with the school's average ADA rate over the last three years. Harvard utilizes general purpose block grant per ADA rates of \$5,076, \$5,153, and \$5,308 for grades K-3, 4-6, and 7-8, respectively. This represents, on average, no increase or decrease from the 2012-13 funding rates for those grades. The projected block grant funding rates take into account the approval of Proposition 30 in the November 2012 election, which allows for current funding rates to be maintained. Harvard has assumed funding growth rates of 0.0%, 0.0%, 2.5%, and 2.5%, in 2013-14 through 2016-17, respectively. Certified/classified salaries and books/supplies are projected to increase by roughly 2.0% annually.

Projected Debt Service Coverage: Harvard's financial projections indicate the school will be able to afford the projected annual CSFP payments. Debt service coverage ratios for CSFP are calculated using net revenues available after payment of debt service on any existing and

projected indebtedness, with any expenses for capital outlay and depreciation added back as net revenues.

Assuming a project cost of **\$34,127,192**, a lump sum contribution in the amount of \$4,570,000—which has already been expended—an interest rate of 2.00%, and a 30-year repayment period, Harvard's annual CSFP payment is projected to be \$557,838 beginning in 2015-16. Harvard's projected net revenues of \$558,456 and \$600,054 would provide debt service coverage of 100.1% and 107.6% in 2015-16 and 2016-17. **However, in order for Harvard to meet debt service coverage of 100.1% in 2015-16, Camino Nuevo, the parent organization, would receive approximately \$41,000 less in Harvard's oversight fee for the same year.** Harvard does not anticipate any revenue from contributions and fundraising in 2015-16 or 2016-17. The CSFP payment is projected to represent, on average, 10.3% of revenues in 2015-16 and 2016-17. Such indicator is within the preferred maximum range of 10-15%.

Note: Harvard's actual project cost is approximately \$38,127,192, which is \$4,000,000 above the awarded OPSC project cost of \$34,127,192. Harvard anticipates it will receive \$4,000,000 in the form of an augmentation grant from the Los Angeles Unified School District (LAUSD), which will fund the balance of actual project costs. For purposes of CSFA's financial soundness review, CSFA staff must analyze the project cost set forth by OPSC. Furthermore, in order to receive the \$4,000,000 Augmentation Grant from LAUSD, CNCA must transfer title of the CSFP facility to the District (LAUSD). Given the uncertainty of the title transfer and consequent uncertainty of the Augmentation Grant funding, CNCA will seek to reduce project costs, and then fund what is remaining of the \$4M gap through its own equity and additional philanthropic sources to ensure project completion.

Liquidity: Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. Harvard's NWC for 2011-12 was \$2.59 million or 56.7% of expenses. Staff considers CNCA K-8 NWC to be sufficient as NWC as a percentage of expenses is well in excess of Staff's recommended threshold of 5.0%. As of June 30, 2012, Harvard maintained a cash balance of \$997,349.

Strengths, Weaknesses and Mitigants:

- + Harvard is projected to meet its requirement of 100% debt service coverage; debt service coverage ratios are 100.1% and 107.6% in its first two years of CSFP payments.
- + Harvard has contributed \$4,570,000 as a lump sum contribution to the project.
- Harvard has not met AYP growth in the last two years of 2010-11 and 2011-12; student performance should continue to be monitored moving forward.
- + While Harvard has not met AYP criteria since it opened, it did meet its API school growth target in 2011-12 and achieved an API score of 856, which is 56 points above the required State score.
- ± Camino Nuevo, the parent organization, is projected to receive approximately \$41,000 less than budgeted for its 2015-16 oversight fee from CNCA in order for the school to meet one times debt service coverage for the first year of repayment.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Camino Nuevo Charter Academy #2 (Harvard) is financially sound for the purpose of the Charter School Facilities Program (CSFP or the Program) Final Apportionment. This determination as it relates to a Final Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. **This determination is also contingent upon Camino Nuevo, the parent organization, lowering its projected 2015-16 oversight fee for Harvard by approximately \$41,000 in order for the school to meet one times debt service coverage for the same year.** Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.